# DTS Proposed FY 2009/10 Rate Package

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### Action Item

Recommendation:  Approve Proposed FY 2009/10 Rate Package

*Fiscal impact:  Projected revenue to DTS will increase by $18.4 million*
*(9.5% increase) in FY 2009/2010*

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## Introduction

The FY 2009/10 rate package proposes a surcharge on service rates to recover the costs of the DTS relocation to a new data center site brings Network Services to break even and also aligns several other services.  The purpose of DTS' proposed rate changes are:

- Consolidate rates where there are common or similar services at both DTS data center facilities.
- Eliminate rates, where possible, in an effort to simplify the cost-recovery model for DTS customers.
- Bring each service to, or as close to, break even as possible.

## Summary of Key Changes with a Proposed Effective Date of July 1, 2009

**Data Center Relocation Cost Recovery Alternatives:**  DTS considered four alternatives for the development of a surcharge to recover costs associated with the relocation to a new data center outside of the Sacramento region.  In making a selection, DTS took into consideration the years there will be increased costs due to the relocation project, and that costs will be expensed out by the service area impacted (Mainframe zOS CPU, Network Services, and Mid-Range Platform Services).  The surcharge would be applicable to FY 2009/10 only, as subsequent years will yield costs savings as a result of the closure of the South Annex building. The selected alternative meets federal guidelines for cost reimbursement and funding.  Furthermore, DTS has made the decision to suspend the search for a new Administration site and will instead negotiate with the Cannery landlord to extend the lease terms.  The projected net impact of these changes will be an increase to DTS revenue of $2.2 million annually.

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Surcharges are as follows:

| | |
|---|---|
| Mainframe Services | 0.79% |
| Network Services | 3.22% |
| Mid-Range Servers | 0.79% |

**Other Alternatives Considered:**

**Alternative 1 –** Data Center Relocation costs recovered by zOS Mainframe Services rates over a two-year period, via the zOS Mainframe Processing Service chargeback to DTS customers.  A surcharge was computed to recover over the two-year period the total DTS costs for the relocations.

**Alternative 2 –** Data Center Relocation costs recovered by the service areas impacted (zOS Mainframe, Network and Mid-Range) over a two-year period.  A surcharge to recover the total relocation costs over the two-year period was computed for each service area billing rate.

**Alternative 3 –** This alternative proposed to recover the Data Center Relocation costs via the zOS Mainframe Processing Service with a surcharge billing rate over six years.  This alternative considers all the years DTS will have increased costs due to the relocation project, and the costs were expensed out by DTS with a surcharge for all affected years with the actual increased costs for each year.

**Database Support:**  The current metric used for charging for Database Support is a published charge *"per server."*  Because a server can have multiple database instances, each of which require similar maintenance effort from DTS staff, DTS is recommending leaving the published rate unchanged, while changing the metric for Database Support billing to *"per database instance."*  The projected net impact of these changes will be an increase to DTS Database Support revenue of $1.1 million annually.

**Proposed Rates:**

| Service | Current Rate | Proposed Rate |
|---|---|---|
| Database Support Tier 1 | $410.20/server/month | $410.20/database instance/month |
| Database Support Tier 2 | $1,230.60/server/month | $1,230.60/database instance/month |

**Courier Delivery Service:**  DTS is proposing to align the rates for courier delivery services that are currently different between the two DTS campuses.  DTS is proposing a single rate that, in addition to implementing a single Courier rate between DTS facilities, will bring the revenues to full recovery of the outsourced

vendor cost and the DTS' staff support costs.  The projected net impact of these changes will be an increase to DTS Courier Delivery Service revenue $122,000 annually.

**Proposed Rates:**

| Service | Proposed Rate | Current Rate |
|---|---|---|
| Unscheduled/Weekend Courier Service | $70.00 | $47.00 |
| Scheduled Weekday Courier Service – Gold Camp | $35.00 | $15.00 |
| Scheduled Weekday Courier Service – Cannery | $35.00 | $8.20 |

**Virtual Machine (VM) Services:**  VM is a relatively outdated and expensive service to maintain.  The ultimate goal of DTS is to bring revenues to equivalency with the level of the cost of providing the service, and also to encourage and assist customers to move to newer and more efficient platforms.  For FY 2009/10, DTS has eliminated an appreciable portion of the software and the associated costs on the VM Platform.  DTS expects that the VM Platform will be eliminated in the foreseeable future.  The projected net impact of these changes will be an increase to DTS VM Services revenue of $372,000 annually.

**Proposed Rates:**

| Service | Proposed Rate | Current Rate |
|---|---|---|
| VM CPU | $2,900.00/Hour | $1,400.00/Hour |
| VM M-Disk | $0.12/MB/Month | $0.06/MB/Month |
| VM SWIFT | $4.15/Userid/Month | $2.00/Userid/Month |

**Expedite Fee:**  DTS proposes to charge customers an expedite fee when requests for services are submitted and the target date cannot be met without a re-shuffling of DTS staff priorities and increased demands on staff to meet target dates.  This situation primarily occurs in the case of requests for telecommunications services; however, the expedite fee will be applicable to all services in which DTS is required to shift priorities to meet a customer's timeframe.  The Proposed rate for the Expedite fee is $515.

**Core Network Services:**  DTS is proposing a new Network/Telecommunications billing methodology that is less complicated and more in line with vendor service costs.  Similar services will share a common monthly rate.  In addition, DTS is attempting to bring the revenues in this service area in line with the expenses, and eliminate the current under-collection.  The projected net impact of these changes will be an increase to DTS Network Services revenue of $12 million annually.

**Customer Connectivity:** Comprised of DTS-supported equipment and circuit elements of a customer connection, specifically from the customer location to the DTS Backbone.

**DTS Infrastructure:** Includes the DTS-maintained California State Government Network (CSGnet), a multi-protocol, routed TCP/IP network supporting both connection-oriented and connectionless-oriented protocols. DTS provides the ability and technical support that allows customers access to information at DTS (mainframes, servers, etc.), access to the Internet, the ability to link to data stored at their agency headquarters or remote sites, and the ability to communicate with other agencies. This infrastructure is also referred to as the DTS "Backbone."

**Assigned Equipment:** For customers requesting DTS to provide and support hardware dedicated to the customer, costs will be recovered as a pass-through plus a DTS staff support cost. Service also includes a five-year refresh of hardware.

**Proposed Rates:**

| Connection Speed | Connectivity | Infrastructure | Total |
|---|---|---|---|
| 56K | $471 | $250 | $721 |
| TI | $1,039 | $550 | $1589 |
| IDSL | $582 | $250 | $832 |
| Switch – Small | $156 | n/a | $156 |
| Switch – Medium | $279 | n/a | $279 |
| Switch – Large | $373 | n/a | $373 |
| DS3 | $4,275 | $3,000 | $7,275 |
| OPT-E-MAN 5 | $1,381 | $550 | $1,931 |
| OPT-E-MAN 10 | $1,794 | $550 | $2,344 |
| OPT-E-MAN 20 | $2,207 | $3,000 | $5,207 |
| OPT-E-MAN 50 | $2,491 | $3,000 | $5,491 |
| OPT-E-MAN 100 | $3,180 | $3,000 | $6,180 |
| OPT-E-MAN 250 | $4,327 | $3,000 | $7,327 |
| OPT-E-MAN 500 | $4,710 | $3,000 | $7,710 |
| OPT-E-MAN 1000 | $5,495 | $3,000 | $8,495 |
| OC3 | $,7818 | $3,000 | $10,818 |
| Internet Only (per MB) | n/a | $20 | $20 |
| Equipment | $669 | n/a | $669 |

**Network Installs**: With the revision of Network Services Rates overall, it became apparent that the current rate charged for Installs does not nearly recover the personnel costs dedicated to this effort. Network Management has committed to reducing the expenditures associated with the installs by 25 percent. Therefore, DTS is proposing Install rates that eliminate 75 percent of the existing under-recovery.

**Proposed Rates:**

| Service | Proposed Rate | Current Rate |
|---|---|---|
| 56K/T1 Install | $2,500 | $500/site |
| DS3/OC3 Install | $6,000 | $500/site |
| OPT-E-MAN Install | $6,000 | $500/site |
| Circuit Delete | $1,000 | $500/site |
| Assigned Equipment | $1,500 | $500/site |
| SNA Equipment | $1,500 | $500/site |

**Server Load Balancing:**  At the time of the DTS consolidation, the Cannery Server Load Balancing rate was adopted for both the Cannery and the Gold Camp campuses.  This service is currently over-collecting, and the DTS is proposing to reduce the rate to eliminate the revenue over-collection in this service area.  The projected net impact of these changes will be a decrease to DTS Server Load Balancing Service revenue of -$80,640.

**Proposed Rates:**

| Service | Proposed Rate | Current Rate |
|---|---|---|
| Server Load Balancing | $140/server/month | $230/server/month |

**Dedicated Firewall**:  At the time of the DTS consolidation, the Cannery Firewall rate was adopted for both the Cannery and the Gold Camp campuses.  This service is currently over-collecting, and the DTS is proposing to reduce the rate to eliminate the revenue over-collection in this service area.  The projected net impact of these changes will be a decrease to DTS Dedicated Firewall revenue of -$141,000.

**Proposed Rates:**

| Service | Proposed Rate | Current Rate |
|---|---|---|
| Dedicated/Shared Firewall | $265/DMZ/Mo. | $423/DMZ/Mo |

**Computer Output Microfiche (COM) Services**:  This is the last in a series of rate alignments to bring Output Services to break even.  This proposal will eliminate under-recovery for vendor costs and DTS support staff costs associated with service provision.  DTS continues to work on implementing ViewDirect, a newer viewing method that allows for inexpensive long-term storage electronically in lieu of the microfiche alternative.  Since this service is outsourced, DTS customers are charged vendor costs plus DTS staff support costs.  As COM utilization decreases, the expenditures will decrease accordingly.  The projected net impact of these changes will be an increase to DTS COM revenue of $222,000.

**Proposed Rates:**

| Service | Proposed Rate | Current Rate |
|---|---|---|
| Original Microfiche | $1.95 | $1.40 |
| Duplicate Microfiche | $0.28 | $0.20 |

**Disaster Recovery:** DTS is proposing to increase the rates for Disaster Recovery (D/R) in order for this service area to breakeven. With the implementation of System Continuity Mainframe Service (SCMS), DTS anticipates some, or all, of the demand for the outsourced D/R service will diminish, along with a corresponding decrease in costs for this area in the future. The projected net impact of these changes will be an increase to DTS Disaster Recovery revenue of $222,000.

**Proposed Rates:**

| Service | Proposed Rate | Current Rate |
|---|---|---|
| CPU Hot Site | $ 25 per MIP | $16 per MIP |
| Disaster Recovery Data Storage (DASD) | $ .020 per MB | $.0125 per MB |
| Disaster Recovery Tape | $.60 per Tape | $.38 per Tape |
| Disaster Recovery System Tape | $.60 per Tape | $.38 per Tape |
| Backup Tapes | $ 0.10 per MB | $.01 per MB |
| Disaster Recovery Support | $3,760 | $3,720 |

**Off-Site Tape Storage:** DTS is proposing to align the department's support costs and vendor pass-through costs for Off-Site Tape Services, eliminating the disparity in rates for this service between the two DTS campuses and retaining sufficient revenue to recover the associated costs. The projected net impact of these changes will be an increase to DTS Off-Site Tape Storage revenue of $348,000.

**Proposed Rates:**

| Service | Proposed Rate | Current Rate |
|---|---|---|
| Tape Library Staff Support | $1.55 | $1.55 |
| Direct Vendor Pass-Through | Contract pricing | Contract pricing |

**DTS Training & Event Center (TEC) Room Rental**: DTS is proposing to increase the rates for room rentals. Room rental accounts for only a small portion of the entire TEC revenue; these are the only costs/revenue reflected in the analysis. Additionally, some of the TEC costs will be moved to DTS, as DTS personnel use the TEC for training and meetings that do not generate income.

**Proposed Rates**:

| Service | Room Capacity | Proposed Rate | Current Rate |
|---------|---------------|---------------|--------------|
| Lab 8 | 12 | $425.00 | $300.00 |
| Lab 4 | 16 | $535.00 | $350.00 |
| Lab 2 | 20 | $575.00 | $400.00 |
| Lecture 9 w/ Breakouts | 24 | $460.00 | $300.00 |
| Lecture 1 | 35 | $425.00 | $250.00 |
| Lecture 3 | 35 | $425.00 | $250.00 |
| Conference 1 | 20 | $150.00 | $ 50.00 |
| Conference 2 | 115 | $550.00 | $250.00 |

When the above rate changes are implemented, DTS will recognize a projected revenue increase of $18.4 million in FY 2009/10.